GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:2845
ANSWERED ON:22.08.2006
LEGAL PROTECTION OF INDIAN COMPANIES
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) the details of percentage of FDI allowed in different sectors;

(b) the status of Indian promoters / Indian companies open for 100% FDI and legal protection taken against foreign investors / MNCs;

(c) whether the Government proposes to enact a law to protect the ownership rights of Indian companies and Indian promoters against foreign investors; and

(d) if so, the details thereof alongwith the steps taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI ASHWANI KUMAR)

(a): As per extant policy, Foreign Direct Investment (FDI) up to 100% is allowed in most sectors. FDI is prohibited in Retail trading (except Single Brand Product Retail), Lottery, Gambling and Atomic Energy. FDI is restricted in some sectors. Some of the major activities attracting equity cap for FDI include the following:

i. FM Radio Broadcasting (up to 20%)

ii. Print & Electronic media- news & current affairs (up to 26%)

iii. Defence Industries (up to 26%)

iv. Insurance (up to 26%)

v. Broadcasting (up to 49%)

vi. Investing companies in infrastructure/service sector (up to 49%)

vii. Domestic airlines (up to 49%)

viii. Single Brand product retailing (up to 51%)

ix. Telecommunication services & ISP with gateways, radio-paging, end-to-end bandwidth (up to 74%)

x. Establishment & operation of satellites (up to 74%)

xi. Atomic minerals (up to 74%)

xii. Private sector banks (up to 74%)

(b) to (d): Vide Press Note 1(2005 Series), FDI in an activity qualifying for the automatic route, requires prior Government approval for new proposals for foreign investment/technical collaboration if the foreign investor has an existing joint venture or technology transfer/trademark agreement with an Indian company in the same field. The FDI policy is incorporated in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified under the Foreign Exchange Management Act, 1999. The policy permits FDI only in incorporated entities and is subject to Indian laws. The provisions of the Indian Companies Act are applicable for determining the ownership rights of the promoter of an Indian company.